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S U M M A R Y

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INTERNAL MARKET: Towards a Community system of merger control?

The European Commission's fifth proposal in 15 years.

The proposal for a Community regulation on merger control, which the European Commission sent to the EC Council of Ministers in early March, may turn out to be the right one. It is the fifth, in fact, to be drafted by the Commission since 1973, none of its predecessors having won the Council's approval. However, with the single internal market set for 1992, the Council may feel the time has come to bridge the differences among its members.

The Commission drafted its latest text in response to an invitation from the Council, which looked at the earlier texts in detail last autumn and indicated the lines along which it wanted the new text to be drafted. The Commission consulted the member governments before putting pen to paper; the Germans, who currently preside over the Council's destinies, in fact hope the Community will have a regulation on merger control before the year is out.

The point at issue, quite simply, is whether mergers should be subject to a system of Community control or should remain subject to national regulations, even though the economies of the 12 member states will have acquired a European dimension in 1992. The European Commission has taken as its starting point the view that some mergers can make European companies more competitive on world markets, while others can reduce, even eliminate, competition within the Community.

To favour the one while preventing the other, the Commission has proposed that the control be limited to mergers which have a "European dimension". The merger, in other words, must involve companies whose global turnover comes to at least one billion ECU* a year, less than 75% of which can be attributed to any one member country. Mergers involving the takeover of a company with a turnover of less than ECU 50m. would be excluded.

Companies wanting to merge would have to notify their project to the European Commission and await its decision. Should they decide to go ahead with it, despite an unfavourable decision, they would be subject to a fine of up to 10% of their assets.

The Commission would generally refuse its consent to mergers "leading to the creation or strengthening of a monopoly position".

* 1 ECU = UK£ 0.69 or IR£ 0.78.

TRANSPORT: Its liberalization is held up by the Council of Ministers

The "German compromise" is regarded as inadequate by the Commission and rejected by Britain.

Increases, each of 40%, this year and the next, in the number of licences granted hauliers by the European Commission, to be followed by fresh efforts by the Twelve to abolish all quantitative restrictions on road transport between member states by 1992: this, in outline, was the compromise proposal put forward by the German presidency at the recent meeting of the European Community's transport ministers in Brussels.

But the European Commission having refused to endorse it, the compromise required a unanimous vote in Council. Unanimity was lacking, however, for Britain's transport minister had already described the German text as "a step backward" in relation to the 1986 undertaking by the Twelve to create a common market in transport.

The Commission wanted the ministers to give a binding commitment as from now on, to liberalize road transport fully by 1992, by increasing the number of Community licences granted each year over a 5-year period. These licences, which allow hauliers to drive freely through any member state, cover only 16% of the traffic at present.

It is back to square one, with the defeat of the German compromise proposal. The transport ministers will meet again in Luxembourg on June 20 and 21, after an informal meeting next month at Hof, in Germany.

The Transport Commissioner, Stanley Clinton Davis, expressed himself disappointed, although he conceded there had been some progress. The present impasse is due to the requirement, which Germany stressed repeatedly and both France and Italy recalled vigorously that the general conditions governing road transport must first be harmonized.

But if everyone is agreed on this, there are differences over how to achieve it. The Germans would use the vehicle tax for this purpose, a solution unacceptable to the Belgians, who are taxed at only one-fourth the German rate. Several EC countries want a single rate, based on a cost per km-tonne, which would take into account the vehicle tax, social security payments and the direct taxes paid by transport firms in the Community.

If one adds to the differences arising from the variety of social and technical standards in force in the 12 Community countries those due to the fact that the volume of road traffic varies from country to country, it is clear that Commission and Council have still a long ways to go.

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Some 70% of goods are moved by road in Belgium, for example, as compared to 40% in Germany. However, Germany and the Netherlands together account for two-thirds of road traffic within the Community. The smaller countries are afraid that unless such factors are taken into account, harmonization may well result in their hauliers paying indirectly for the motorways of their larger Community partners. The latter, not surprisingly, believe they are making heavy sacrifices in order to allow others to use their motorways virtually free of cost.

The Gordian knot will have to be undone by 1992. Clearly it would be absurd to create a single internal market within which goods can move freely - but not the trucks which transport them.

EDUCATION: Training the teachers

ARION celebrates its 10th anniversary by organizing 70 study trips for 600 educational experts.

Herodotus saw in the Greek poet Arion the symbol of art and wisdom. Even the dolphins seem to have been under the poet's spell, for they saved his life after pirates had thrown him into the sea.

More prosaically, today's ARION is the acronym, from the Dutch, of a European Community programme of visits by specialists in education for study purposes. Since 1978 it allows some 600 principals, teachers, inspectors and administrators to travel to other Community countries each year in order to (1) see for themselves the latest developments and trends in education and (2) add to their professional experience in a wider European context.

The European Commission has earmarked ECU 500,000* for the 1988-1989 academic year. The money will pay for 600 grants, for a maximum amount of ECU 700, to be distributed among the 12 EC countries on the basis of a system of weighting. An additional ECU 150 will be given, in exceptional cases, for long-distance travel as well as a lump sum for organizing information and follow-up meetings for those taking part.

The member states will select the candidates and the European Commission draw up the final list.

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The Commission has just adopted a list of 70 one-week study visits to be organized during the next academic year. They have been divided into 13 topics, each covering a different aspect of education. The topics include the study of primary, secondary and vocational education; methods of certification and assessment of pupil, teacher or training; the study of schemes to prevent illiteracy; the introduction of information technologies into education; problems posed by failure at school, and initial and in-service training of teachers.

But the 1988-89 programme also covers topics of wider interest, such as equal opportunities for boys and girls in education; the integration of handicapped children into ordinary schools; education of migrant workers' children; the role of parents and their participation in school life and health education (AIDS, cancer and drugs). Nor is the European dimension absent. One of the topics deals precisely with the introduction of the European dimension into education, another with the methods used in foreign-language teaching.

Thanks to ARION, a growing number of specialists in education (more than 3,000 over the last 10 years) have been given an opportunity to take a fresh look at what they are doing, to make adjustments and to explain to others the policies and practices in use in other countries. Such moves can only encourage closer relations between the Community's different educational systems.

* 1 ECU = UK£ 0.69 or IR£ 0.78.

DEVELOPMENT AID: Humanitarian aid for Ethiopia

The European Commission calls on the warring sides to let relief convoys through.

Ethiopia is headed for a catastrophe if emergency measures are not taken immediately. The figures speak for themselves. One million people were seeking help in November and 1.6m. in December. These numbers will rise to 3.2m. and to 3.5m. in the next few months in Tigray and Eritrea alone. If the other regions in which food supplies are now virtually exhausted are added, the total number of those urgently needing help will rise to some six to seven million.

So far the situation, although dramatic, has not got out of hand, thanks to the response of the international community and the activities of humanitarian organizations, both foreign and local, in Ethiopia itself. Food as well as medicines and other items essential for the survival of the population are available.

They are reaching Ethiopia, thanks to an airlift financed by the European Commission, with the participation of Italy, Germany, Sweden and the Catholic organization, Caritas. But the task of getting the food and medicines to the interior of the country remains a problem, one which on occasion has proved insoluble. The air lift, which was intended to replace road transport for a temporary period, has reached its limits and is proving inadequate in the face of a situation which is deteriorating hourly.

In the absence of a truce it will become practically impossible to distribute relief supplies. All hopes of avoiding a catastrophe will then be lost. The implementation of an "open roads" policy is an illusion for the moment. Meanwhile, the attempts by the population to reach the existing distribution centres is only adding to the problem. The recent kidnappings of doctors, nurses and other aid workers has put the final touches to an already grim picture.

It is in this context that the European Commission has allocated ECU 42m.* to finance a further series of measures. They include the continuation of the air lift as well as the supply of essential goods and services. Community food aid agreed to last year and early this year has been arriving in Ethiopian ports since November. It includes 214,000t. of cereals and 12,000t. of other foodstuffs. To this must be added the 54,000t. of cereals and 12,000t. of foodstuffs supplied to the Red Cross and voluntary organizations.

With aid from other donor countries it will be possible for Ethiopia to meet its needs in foodgrains, estimated at 1.3m. tonnes. Some 530,000t. should reach the Ethiopian ports and Djibouti by April. But unless both port installations and road transport are improved, this gigantic effort may yet prove to have been in vain.

Work must also begin on preparations for the forthcoming agricultural season, when farmers will need relatively large quantities of seed and agricultural implements.

* 1 ECU = UK£ 0.69 or IR£ 0.78.

SOCIAL: The Twelve meet informally at Dortmund

The framework regulation on reforming the Community's structural funds will have to be adopted before next May 31.

The European Social Fund was at the centre of the discussion between the European Community's labour and social affairs ministers when they met informally in Dortmund. The EC Council of Ministers must decide unanimously before May 31 on how the Fund is to be reformed, after which the Social Affairs Council will have to adopt, by a qualified majority, the implementing regulation.

For the European Commission, the fight against long-term unemployment and the integration of women into working life remain the Social Fund's prior objectives, as its Vice-President, Manuel Marīn, emphasized at Dortmund. He insisted that help from the Fund should be given on an equitable basis, taking into account the situation of each member state.

The ministers rejected policies which would spread the aid too thinly, backing the European Commission in its decision to stop aiding a multitude of projects (the Social Fund received some 11,000 requests in 1987!) and to concentrate on approximately 200 a year.

The Council Presidency, currently held by Germany's Labour Minister, Norbert Blüm, stated that the Council intends to press ahead with the proposals presented by the European Commission in Brussels last month.

The Council's attention had been especially drawn to the proposal aimed at improving and harmonizing the conditions of health and safety of workers in the Community. It seeks to adapt the workplace to workers' needs and to avoid accidents, even while getting employers to recognize that protecting the health of their workers is not incompatible with the ability to compete successfully against others.

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Mr Blüm called on the European Community to express solidarity with miners and steel workers. He wanted the heads of companies in the coal and steel industries to meet their social responsibilities and the European Social Fund, whose resources are to be substantially increased, to play its role in the Community as a whole and not only in the most disadvantaged countries.

Commissioner Marín was prompted to reply that "the Commission will do all it can to honour the payments due in 1987 and 1988 as social aid for the restructuring of the coal and steel sectors." It had shown its good will in this connection in the face of the Council's refusal to transfer funds from the EC budget to that of the European Coal and Steel Community. In the Commission's view there would be difficult moments in the coming years if key financing decisions were not taken in this field.

The Commission's Vice-President noted that the Council must work at a faster pace if it wishes to give a social content to the standards which will govern the single internal market in 1992.

TECHNOLOGY: New ideas for cross-border financing

The European Commission wants to facilitate cooperation between companies.

The European Commission has come to the rescue of companies located in different European Community countries that have been frustrated by national frontiers in their efforts to work together in the application of new technologies. In order to eliminate, or at any rate reduce, obstacles to such cross-frontier initiatives, it has recently sent both the Twelve and the European Parliament a communication on this subject. The Commission envisages, for example, the creation of new investment mechanisms and the use of the ECU in company balance sheets.

The Commission notes that the financial requirements of cross-frontier industrial projects will rise rapidly as a result of the growth in European research programmes. Firms in different Community countries who have together developed new processes or inventions will want to work together to turn them into marketable products in most cases.

Such companies run into three kinds of difficulties: financial, fiscal and legal. Traditional techniques of financing are unsuited to their needs, especially in view of the limited capacity of the companies in question to finance themselves and the relatively low level of risk that these techniques imply.

At the fiscal level, the great diversity between the various national systems of taxation only complicates the task of companies wishing to carry out a cross-frontier project; it can even lead to imbalances detrimental to their realization. Finally, operations of this type lack a suitable European legal framework.

In order to meet the preoccupations expressed by those in business, the European Commission envisages, first of all, to encourage the creation of investment mechanisms especially conceived for the financing of technological projects involving partners from several countries and managed by purely private institutions.

The next step, for the Commission, is the creation this year of a database which scientists, industrialists and bankers could consult in order to find out financing possibilities linked to European research programmes.

Finally, the Commission would like to smooth the legal, fiscal and financial difficulties by proposing to the Twelve the statutes of a European limited company, the harmonization of company taxation and the possibility of using the ECU not only for maintaining annual accounts but also the issue and quotation of shares.